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Statement of Swift & Company

Issued August 19, 1918

on

Summary of the Report of the
Federal Trade Commission

on the

Meat Packing Industry

of July 3, 1918

ABSTRACT OF STATEMENT OF SWIFT & COMPANY.

Swift & Company proclaims that it is in active competition with all other packers and can prove that the Federal Trade Commission has failed to establish its statement that the packers are in combination in restraint of trade.

Swift & Company is glad that it has developed an organization which has been able to take care of war business and it does not believe that this is a time for the Federal Trade Commission to suggest drastic Government experiments or to throw discredit on an essential industry.

The Trade Commission's investigation was a one-sided affair; the packers were given no chance to present their side of the case; the report is so constructed that it imparts a glamour of importance and significance to matters that are trivial; the whole report is biased and presents many matters in a false light.

The Commission presents only such facts as it could use by adroit construction and inference to appear to substantiate the thesis it set out to prove. It omits scores of salient facts which prove that the packers are in competition with each other; that the profits are so small as to have practically no effect on prices; that the packers have performed an indispensable service to the country during peace and war times.

The Commission failed to mention that the packers are now operating under Government supervision and that their profits have been limited by the Food Administration since November 1, 1917.

In attacking packer ownership of stockyards, the Commission does not explain that the principal reason why packers have become interested in stockyards has been to provide proper and efficient facilities for the care and sale of live stock. Such ownership gives no control over prices. Swift & Company would be willing to relinquish its interest in stockyards

if the continuance of efficient operation can be assured. Stockyards are *now* under the control of the United States Department of Agriculture.

Swift & Company owns refrigerator cars because the railroads refused to furnish them. Swift & Company is willing to leave it to the judgment of the Railroad Administration, which now has general supervision over our cars, as to whether service can be improved by the Government's taking them over.

Analysis of all the reasons advanced by the Commission for its belief that the packers are in combination with each other shows that not one of them is valid. The Commission bases its case primarily on the fact that the proportions of live stock receipts bought by the different packers remain fairly constant from year to year, and that, therefore, there must be an arbitrary division of receipts.

The fact is that the packers are in such active competition with each other that not one of them is willing to lose ground to the others in volume of business handled. Accordingly, they watch each other so closely that no single packer is able to increase his purchases inordinately.

The Trade Commission's own figures, however, show that Swift & Company has been able to increase its proportion in four years to such an extent that it slaughtered about 90,000 more cattle in 1917 than if it had not increased its proportion since 1913.

Division of shipments of dressed meats to eastern markets, another matter referred to in the report, was abandoned in 1902.

There is nothing illegitimate or suggestive of conspiracy in restraint of trade in the fact that the packers have maintained a joint fund for mutual protection from unfair attacks against their oleomargarine business. Associative action among competitors for such purposes is found in many trades.

The suggestion that the Government operate branch houses

of the packers as public markets is impracticable and visionary and indicates how little the Trade Commission understands the relation between branch-house organization and large-scale packing units, or the extent to which the efficiency of branch-house operation depends on skill, experience, and personal initiative. To attack branch-house organization as giving the large packer an advantage over the small packer is merely to attack bigness in itself with its resulting efficiency and indispensable service.

The Federal Trade Commission, even by purposely omitting all facts favorable to the packers, has failed to prove that the packers are in combination. They are in active competition with each other and have no control over prices.



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Swift & Company rejoices that through its long experience in the packing industry it has been able to develop such large and efficient packing units and nation-wide and even international distributing organizations as to have been able to serve our armies abroad and the armies and civilian populations of the Allies during this period of war emergency. Because of our extensive facilities, we have been able to accept orders for millions of pounds of meat from the Food Administration, and begin shipment of such orders within a few hours after they have been received.

At this time, governmental as well as industrial energies should be centered on those things which facilitate our war activities. If the recent report of the Federal Trade Commission on the packing industry should result in drastic Government experiments in the handling of that industry, the results might be serious from a war-time standpoint. We do not believe that the report will result in any such drastic measures; even so, it tends to throw discredit on an essential industry; it arouses suspicions in the minds of the public; and it possibly lessens confidence among live-stock producers, some of whom may for this reason slacken their efforts to continually increase meat production.

The report of the Federal Trade Commission states that the five large packers are in combination in restraint of trade.

Swift & Company is in open and active competition with all other packers. Although a department of the Government naturally carries a great deal of authority in such a matter, and although the report of the Trade Commission may sound plausible to a great many readers,—especially those who have never studied the packing business—we believe that we can prove to any unprejudiced person that the facts and insinuations in the Trade Commission's report do not substantiate the charge that there is monopoly in the packing industry.

It should be understood in the first place that the whole investigation of the Trade Commission has been a one-sided affair. Probably no big American industry has ever been subjected to such scrutiny without having been given an opportunity to present its side of the case or to explain data and correspondence gleaned from the private files of its executives. At the beginning of the investigation during the summer of 1917, **the Trade Commission promised a fair hearing to the packers before any report was published.** Aside from five general questions that were submitted in writing to Swift & Company and answered, over a year ago, this company has had no opportunity to be heard. It has been an *ex parte* investigation from start to finish.

The Federal Trade Commission's report is adroitly constructed. It succeeds in imparting a glamour of importance and significance to trivial matters; it describes occurrences which are perfectly reasonable, legitimate, and ethical in themselves in such a way as to suggest ulterior motives and purposeful wrongdoing; it quotes letters and fragments of letters in such a way as to give a totally wrong impression concerning the relations between the large packers; and it has failed to use hundreds of letters which might have been taken from our files showing keen competition and rivalry among the packers, where it took one that by sinister construction seems to indicate collusive action.

Important Facts Omitted.—The investigation of the packing industry was supposed to have been a complete and dispassionate one. Unfortunately, however, on account of its one-sided character, it neglects to mention many fundamental and significant facts that one would expect to find in such a report.

The Trade Commission never mentions, for example, that the packing industry has been operating under license and has had its profit limited by the Food Administration since November 1, 1917. It says nothing about the important part that we have played in the development of the live-stock industry and in the supplying of all parts of the country with a continuous supply of fresh and wholesome meats. It says nothing about the low unit costs of preparing and shipping meat to market due to large-scale production and elimination of waste. It says nothing of the minuteness of our profits per pound of product handled, **a circumstance which destroys the popular notion that packers profits account for high prices of meats.**

In attempting to prove that the five large packers are working together, the Trade Commission neglects to mention numerous evidences that active competition exists. It says nothing of the rivalries evident from correspondence gleaned from the packers files; it says nothing of the relation between live-stock prices and dressed-meat prices and how their concurrent fluctuations offer as good an illustration of the law of supply and demand as can be found in any trade; it says nothing of the fact that packers' profits fluctuate from week to week and that during the year ended June 30, 1917, Swift & Company lost money on its beef operations during thirteen out of fifty-two weeks.

The report fails to say that competition is evident from the fact that retail buyers shop around from the branch house of one packer to the branch house of another, finding differences in prices for qualities desired; it says nothing about the competition of shippers and speculators in the principal

live-stock markets; it says nothing about the competition between markets which automatically keeps prices in line in different sections of the country and makes impossible any manipulation of live-stock prices; it does not explain that fresh meat is a perishable commodity that has to be sold within a few days for whatever it will bring; it never even considers war-time problems, and the important part that the packing industry is playing; in short, the Commission avoids the presentation of all facts and circumstances that definitely controvert the thesis that it tries to establish.

The Spirit of the Report.—From a scientific point of view, it is unfortunate that such an important Government document should so definitely reflect the temper of its authors, and should contain such glaring instances of prejudice. Before analyzing the main body of the report, the following enumeration of some of the most conspicuous examples of misleading presentation of facts will serve to illustrate the spirit in which the report was prepared.

On page 14, it says that “Armour is the only one of the big packers who appears to be interested in the grain trade, although James A. Patten, a large stockholder of Swift & Company, is also one of the important factors in the cereal markets.” The implication is that Swift & Company has interests in the grain trade. Mr. Patten happens to be a stockholder of Swift & Company for investment purposes, just as he is a stockholder in other corporations. He has nothing to do with the management of Swift & Company, and Swift & Company has no interest in the grain trade.

On page 39 (and referred to on page 9) there is reproduced part of a letter written by a committee of “confidential employes” of Swift & Company before the Trade Commission investigation began, in which it is said, “We believe that as it stands today, nothing could stop criminal prosecutions.” The inference is that representatives of the packers believed themselves guilty and subject to prosecution; the fact is that

all this committee meant was that the attitude among certain stock raisers and among radical congressmen in Washington was such as to indicate that they would probably attempt to bring about criminal prosecution.

On page 41, the Trade Commission gives the three following principal causes of violent fluctuations in the price of live stock: first, collusive manipulation by the packers; second, disagreements among the packers; third, raising prices in a particular market to keep out a competitor. Lack of evidence to substantiate these reasons will be shown in this analysis; the matter is mentioned here to indicate the absolute failure of the Commission to consider the fundamental economic principles underlying the formation of market prices, such as fluctuating receipts of live stock and the varying demand for meat.

In connection with this question of price fluctuations, the Commission quotes on the same page from an official of the American National Livestock Association to the effect that price fluctuations are serious because "fully three-quarters of the cattle are bought on the days of heavy receipts, reducing the average cost far below the average daily prices." Previous to recent regulations by the Food Administration, the bulk of receipts arrived at market on Mondays and Wednesdays; this quotation infers that the prices on those days are lower than the prices on other days. The Monthly Crop Report of the U. S. Department of Agriculture for January 31, 1916, says: "An examination of the market quotations for the bulk of sales of beef cattle by days of week indicates that quotations rule highest on the days of largest receipts; that is, on Mondays and Wednesdays, and lowest on days of smallest receipts." A study of daily hog prices for 1917, as published in the Drovers' Journal Yearbook, shows that average prices for all Mondays and Wednesdays throughout the year, were slightly higher than the average prices for the other days. This indicates that the Trade Commission must have a very imperfect grasp of live-stock prices.

The Part Played by Mr. Heney.—The Trade Commission upholds and praises the work of Francis J. Heney, who was employed as a special attorney during the course of the investigation. Mr. Heney's sensational methods, his unfair use of testimony drawn from prejudiced witnesses, his device of holding hearings to make public his insinuations without giving the packers an opportunity to present their side of the case, and his frequent announcement of serious charges that were not substantiated by fact, are too well known to need comment here. We submit that when the attorney of the Trade Commission publicly charges the packers with collusion on Government contracts, whereas the only basis for such a charge was that they were called into conference by, and in company with, officials of the Food Administration,—conferences expressly sanctioned by the President of the United States,—there is no reason to expect fair and impartial results from that portion of the investigation in which Mr. Heney took part.

EXTENT OF PACKERS' INTERESTS.

The foregoing incidents, which might be multiplied indefinitely, are unimportant in themselves, but they indicate the general spirit of the report. To proceed with the line of argument used, the Commission tries to show the extent of the interests of the five large packers by saying that they account for about "70 per cent. of the live stock slaughtered by all packers and slaughterers engaged in interstate commerce;" that they have extensive foreign interests; and that they have reached out into other fields which have no relation to the packing business.

Proportion of Total Meat Business.—The Commission claims that the packers juggle figures by saying that the five largest account for only $33\frac{1}{3}$ per cent. of the total meat production of the country, because in such an estimate they

include all animals slaughtered on farms. Mr. Hoover, in a recent public statement, said that the large packers accounted for less than 40 per cent. of the total meat supply of the country. The Commission overlooks the fact that the large packers sell meat in small country towns all over the United States, and that they come in direct competition with home-killed live stock; also, that home-killed meats constitute a potential competition that affects live-stock and meat values in the most distant cities.

Be that as it may, and assuming that the five large packers account for approximately 70 per cent. of the total interstate slaughter, this is nothing alarming when it is considered that this business is done by five companies in competition with each other—a situation that will be established in the course of this analysis. There are many industries in the country where a single corporation accounts for as large or a larger proportion of the total output as do the five large packers together.

The fact that the large packers have heavy foreign interests will, of course, be readily admitted, but this is of little consequence in an argument to prove that monopoly exists. The statement that the packers have reached out into other fields, however, is worthy of consideration, because the Commission implies that there has been no justification for so doing, and that the only object has been to get control of the food supply of the nation.

Butter, Eggs, and Other Products.—Swift & Company has gone into no field that is not closely related to the packing industry, either in the utilization of by-products, or in the utilization of its vast selling organization, which was developed primarily to take care of its meat business. The handling of such commodities as butter, eggs, cheese, poultry, and canned goods, has been prompted by the needs of its customers, and by the desire to use most economically its system of branch houses. The greater the volume of merchandise we can put through our elaborate distributing organization, the lower

the unit marketing costs, and the smaller the "spread" between farm prices and consumer prices, not only on butter, eggs, etc., but on meats as well. The reason that we have developed such a large volume in these products is that we represent a more economical and efficient method of marketing than is afforded by other marketing agencies. Furthermore, our system results in direct shipment in car lots from country collecting points to city distributing stations; it avoids re-handling and reshipping, and the goods go through in better condition; they are more uniform in quality; and there is less loss from waste.

Hides and Leather.—The Commission says that the large packers hold a dominant position with reference to hides and leather and that they tan a large part of the leather produced in the United States. The large packers naturally supply the same proportion of hides as of animals that they kill, or less than 40 per cent. of the total domestic supply. Two or three of the largest packers have their own tanneries in order to insure a steady outlet for a part of their hides rather than be obliged to depend on the vagaries of the hide market. They tan less than 25 per cent., however, of the leather produced in the United States.

The Trade Commission gives a wrong impression when it says that the large packers have an advantage over independent packers and butchers because their hides are arbitrarily given a higher grading, as "packer hides," whereas the others are known as "country hides." This distinction results merely from the fact that tanners value packer hides more highly than country hides, due to the fact that packer hides are removed from the animals and cured more skillfully and uniformly, and hence are of better quality; for this reason only are the packers responsible for the higher value of their hides. The packers are also accused of hoarding hides during 1917, whereas the truth is that they sold more hides than ever before and got rid of them as rapidly as the market would absorb them at constantly falling prices.

INSTRUMENTS OF CONTROL.

The Trade Commission argues that the large packers achieve control of the industry through ownership of stockyards, refrigerator cars, and cold storage plants, through their branch-house distributive organizations, and by means of interests in banks and real estate.

Ownership of Stockyards.—The functions of stockyards are generally misunderstood. They are market places supplied with pens for the animals, and with watering and feeding facilities. Live stock arrives at the yards consigned to commission men, who sell to the buyers of the packers and to shippers, dealers, and speculators. Every packing center must have proper and efficiently-operated yards, in order to care for the animals. The principal reason that the packers have become interested in the yards has been to provide such proper facilities. Investment in stockyards, except in the very largest markets, is not attractive enough to invite outside capital. Packer-ownership has resulted in the development of efficient market places that would not otherwise have existed.

Packer-ownership of stockyards gives no control over prices of live stock, and no control over the commission men in the yards. Yardage and feed charges are reasonable, and they are uniform to all patrons. Swift & Company is proud of what it has done to help the live-stock industry, as well as itself, by developing efficient stockyards. Only recently, government regulation of yards has been established under the Bureau of Markets, United States Department of Agriculture. Furthermore, Swift & Company would be perfectly willing to relinquish its interest in stockyards if the public demands it, especially if the continuance of their efficient operation can be guaranteed.

Refrigerator Cars.—It is true that only a large concern,

with a nation-wide organization, can think of operating refrigerator cars in large numbers. The only reason that Swift & Company ever embarked in this enterprise was that the railroads refused to furnish the cars. Swift & Company has a fleet of nearly 7,000 such cars, and they form an integral part of the service rendered the public. We distribute these cars in accordance with our needs in various parts of the country, and in order to facilitate their movement, we have them closely followed up to see that none get side-tracked or delayed. Swift & Company, however, would have no objection to their being taken over by the Government, especially as they have been a losing proposition financially to the company for several years. The only question that should be considered at present is this: Could Swift & Company ship over 1,000 carloads of meat in a single week to the American Army at home and abroad and to the Allies (as it did during a recent week) as punctually and efficiently under government ownership of refrigerator cars as under the present system?

Cold Storage Plants are necessary in the handling of perishable products—especially those of seasonal production. The holding of goods from seasons of bountiful supply to months of scarcity is an economic necessity, and is specifically permitted by the Food Administration. Swift & Company rents space to other dealers during those seasons of the year when it does not use its full capacity with its own products; during the heaviest storage periods we do not have enough space for our own products, and hence we have to store large quantities in public warehouses. The packers own but a small proportion of the total cold-storage capacity of the country.

Branch Houses.—Branch houses are located in all large towns throughout the country, and are necessary for the proper holding and distribution of the commodities sold. They are a necessary adjunct to large centralized packing plants because under this system goods have to be marketed in far distant localities. Of course, only a large company can undertake nation-wide distribution through such branch

houses, but the branch-house organization in itself furnishes one of the best evidences of competition among the large packers. In addition to the five largest packers, there are a number of others that are large enough to maintain branch-house selling organizations; in the large cities there are always a number of packers represented. Retail butchers, in buying their meats, shop around from the branch house of one packer to those of the others, making their purchases where prices are lowest for the qualities desired.

Banks and Real Estate.—The Trade Commission has gone to absurd extremes in trying to connect Swift & Company with important banking interests. Many of the banks listed in the report, in which Swift interests are represented, are small neighborhood banks, in which members of the Swift family or employees of Swift & Company, have small personal investments. In so far as those who are connected with Swift & Company are also interested in cattle-loan banks, they are satisfied that they have helped the live-stock industry by providing borrowing facilities for live-stock raisers and feeders, and by popularizing live-stock paper. We submit that there is nothing in this charge that indicates monopoly or undue control of live-stock facilities; the same applies to the references to ownership of real estate.

EVIDENCE OF COMBINATION.

The Trade Commission bases its conclusion that the large packers are in conspiracy to restrain trade on the ground (1) that they are largely under the management of the same families that established them, and that ownership rests in the hands of relatively few people; (2) that they jointly own various properties; (3) that the packers once had "beef pools;" (4) that memoranda from the files of Mr. G. F. Sulzberger indicate that he had interviews with other packers along about 1913 and 1914 concerning meat shipments; (5) that the percentages of live-stock receipts bought by the different packers remain approximately constant over a period

of time and in individual markets; (6) that the large packers divide their foreign business; (7) that correspondence indicates that one of the packers tried to manipulate the cheese market in Wisconsin; and, finally, (8) that the packers maintain joint funds to defray expenses undertaken in common.

The Commission's case rests on the accuracy of these charges, and the extent to which they prove that the packers are actually in combination with each other. If it can be shown that there is nothing in these charges to prove conspiracy, the elaborately constructed case of the Trade Commission falls to the ground. These points will be considered in turn.

(1) That the management of the large packers is largely in the hands of the families that established them—a fact which is a source of pride to those families—proves nothing in itself. That the ownership lies in the hands of relatively few people proves nothing except that it would be easier for them to get together than if the ownership were more widely dispersed.

(2) The joint ownership of properties is greatly exaggerated by the Federal Trade Commission. There are cases where a part or the whole of the capital stock of certain stockyards, cattle-loan banks, and other facilities is owned by two or more packers. In other words, financial resources of large packers have in some cases been combined to establish facilities that otherwise did not exist or that existed in imperfect form. Swift & Company submits that in so far as it owns stock in corporations in which other packers also own stock, this does not represent evidence of combination among the packers to restrain trade or to influence prices. If there is anything in this that is incompatible with the public interest, we shall be glad to make any adjustments advised by any competent and impartial tribunal that may be designated by the Government.

(3) The fact that the packers once had “beef pools” is not

germane. The "beef pools"—that is, the arrangements whereby the quantity of beef that could be shipped by each packer to various large eastern markets—were discontinued in 1902. Although public opinion would probably not countenance such arrangements at present, they were undoubtedly of benefit to the public at large in that they helped to avoid recurrent gluts and scarcities in eastern markets, and tended to steady prices.

(4) Evidence that Mr. G. F. Sulzberger had interviews with the other packers along about 1913-14 is introduced to convey the idea that there still was some control of meat shipments at that time. There was no control, or "pool," or agreed division of meat shipments. If there had been any co-operative arrangement for mutual protection, instead of keen competition, possibly Mr. Sulzberger would not have been so dissatisfied with the business his company was doing as to have sold out shortly afterwards to New York bankers.

Furthermore, the importance of all references to "beef pools," so far as they have a bearing on the present situation, is torn down by the Federal Trade Commission's own admission on page 26 that "there is apparently no 'dressed-meat pool' at the present time such as existed in the nineties, for the reason that it would be as useless as a fifth wheel on a wagon."

(5) Having to abandon the "beef pool" idea as proof of conspiracy, the Trade Commission is forced to rest its case primarily on the fact that the percentages of live-stock receipts bought by the various packers remain practically constant. This circumstance, together with memoranda and correspondence referring to these percentages, is accepted as conclusive evidence that the packers are in a definite conspiracy to divide live-stock receipts in definite proportions, and that this enables them to control prices of live stock and prices of meats.

We admit that the percentage purchased by each packer

remains fairly constant, and that, on the face of it, this might appear to one outside of the packing industry as suggesting collusion. To one in the packing industry, however, it is merely an indication of keen competition and rivalry among the several large packers.

We, Swift & Company, are very jealous of the other packers in the various markets, and do not intend to let these concerns increase their businesses at our expense. We keep a weekly record of the receipts of live stock in the different markets, and figure out the percentage of total receipts that we obtain, and compare that percentage with the percentage of total receipts for the same week during the previous year. We measure our success in maintaining our position by continuously making such comparison, and we follow carefully what the other packers are doing.

Undoubtedly, the other packers feel exactly the same way toward us, and measure their success and progress in a similar manner. We are constantly striving to increase our percentage of the business, but any other packer naturally would not willingly permit us to greatly increase our percentage of the business at the expense of his volume.

The only way we could do so would be to pay prices high enough above the market to get more than our usual volume; but since, due to competition, dressed meat is handled on a profit of only a fraction of a cent a pound, it would be a disastrous thing for us to attempt. Even if we should attempt it, other packers would undoubtedly prevent us by meeting our competition and suffering losses, rather than permit us to permanently get part of their trade.

Viewed in its proper light, therefore, the bugaboo of approximately constant percentages turns out to be an evidence of rivalry and intense competition. On account of the close observation of each other's purchases, no single packer is able to substantially increase his business at the expense of the others.

Nevertheless, the percentages taken by the different packers do vary to a certain extent from month to month, and from year to year. In the table shown on page 27, Swift & Company's percentage of total cattle purchases increased from 33.90 per cent. in 1913 to 35.07 in 1917, an increase of 1.17 per cent. in four years; this apparently slight increase meant that in 1917 Swift & Company slaughtered about 90,000 more cattle than if it had not increased its percentage over that of 1913!

In addition to this explanation of the reason why percentages remain constant, Swift & Company absolutely denies that it is in agreement with other packers with regard to the division of live-stock receipts. No evidence is presented by the Commission as proof of such an agreement, and the letters bearing on this subject, when properly interpreted, indicate rivalry and a desire on the part of each packer to at least hold his own in the different markets.

(6) With this matter explained, there remains practically nothing on which the Trade Commission can base a claim of monopoly. So far as the division of foreign business is concerned, it is true that the large American packers, together with certain foreign companies, have had arrangements for years providing for the proportion of total shipments that each should carry between South America and England. Such a division of business was not only justifiable because it helped to make more regular the receipts of perishable meats in England, but the arrangement is countenanced by British law, and has nothing to do with the problem of trade restraint in the United States. Furthermore, this arrangement is similar to the form of co-operation specifically permitted by the recent Webb Bill, which is intended to encourage exportation on the part of competing firms in the United States.

Before the European war began and after the United States import duty on fresh meat had been removed, Swift & Company (through the Swift Beef Company of London) made a contract with the Lamport & Holt Steamship Company (a

British company) providing for a certain amount of space to be used by Swift & Company in shipments from South America to the United States. Such a contract was made necessary by the fact that there had been practically no refrigerated shipping space in the South America-New York trade, and that Lamport & Holt was the only line to equip itself with the necessary refrigerated vessels to give regular service. This contract was made independently by Swift & Company, and does not represent in any way an agreed division of shipments with the other packers. Shipments to the United States have been limited only by amount of steamship space offered, and Swift & Company has continuously been in the market for all space obtainable.

Our London representatives have always been under instructions not to enter into agreements with other packers involving division of shipments to the United States. Today there are no shipments of refrigerated meat from South America to the United States because of insufficiency of refrigerated vessels, and shipments to England are controlled by the British Government.

(7) Correspondence presented by the Trade Commission indicates that one of the packers had attempted to influence the price of cheese on one of the "cheese boards" in Wisconsin. In quoting this correspondence, an attempt is made to implicate Swift & Company by stating in parentheses, (without explanation that the parenthetical remark was added by the Commission itself), that Swift & Company buys four-fifths of the sales of a certain concern mentioned in the correspondence. Swift & Company has no financial interest in the concern named; it buys over 90 per cent. of its Wisconsin cheese purchases from wholesale dealers in whom it has no financial interest, and the remainder direct from cheese factories. It buys none on the cheese boards in that state. It has never tried to affect the quotations on the cheese boards and has never been in conspiracy with other packers or dealers to do so.

(8) There remains only the statement that the packers have maintained joint funds to defray expenses undertaken in common as proof of conspiracy. It is true that the five packers have maintained a joint fund referred to by the Trade Commission as "the oleo pool," but the expenses incurred under this arrangement have been to afford adequate protection against unfair attacks made against the oleomargarine business and the use of this product. It is a very common occurrence for competing manufacturers in various trades to adopt associative action for protective purposes; we see nothing reprehensible in this arrangement, especially as it has nothing to do with prices or division of business.

There are other cases in which the attorney of Swift & Company has prorated the expenses of the large packers in legal cases where two or more packers were involved; attorneys of the other packers have often acted in a similar capacity. We submit that there is nothing in an arrangement of this sort that can possibly prove that the packers have acted in restraint of trade.

Conclusions on Monopoly.—The foregoing discussion shows that the points made by the Trade Commission to uphold their contention that a monopoly exists, have no basis in fact, and that they would not only be useless in proceeding against the packers in the courts, but that they do not even represent any infractions of accepted standards of commercial ethics. There may have been instances years ago when the packers acted together in such a way as to indirectly curtail competition and to affect prices. There may also have been instances in the past where individual packers indulged in practices which have during recent years come to be considered "unfair competition." Years ago they probably received reductions from established railroad rates, just as shippers of all commodities did; so far as local price discriminations are concerned, however, Swift & Company has been very careful to reduce prices only when forced to do so to meet competition, and not to destroy competitors.

The packers are also accused of abusing their power by acquiring stock in and operating "bogus independents." Swift & Company owns stock in a great many corporations that are not operated under the name of Swift & Company, although the policy of the company has been to gradually bring its interests under that name. Swift & Company is interested in such corporations not for the purpose of carrying out destructive competitive policies, but has acquired them to extend its own facilities and improve its service. Here again Swift & Company would be glad to make any reasonable adjustments requested by any independent and impartial tribunal that might be designated.

If the Trade Commission has definite evidence that the packers are guilty of unfair trade practices, the Trade Commission has ample power to eliminate these practices. It is Swift & Company's policy to live up to both the letter and the spirit of the law, and we know that we are conducting our business honestly and in active competition with all other packers. We also believe that an unprejudiced study of the Trade Commission's report and the foregoing analysis of its evidence will prove conclusively that there is no ground for the charge that the packers are conspiring together in restraint of trade.

RESULTS OF ALLEGED COMBINATION.

Packers' Profits.—The Federal Trade Commission says that the packers have extorted excessive profits from the people of the United States, especially during war times, but does not explain how small these profits are as compared with sales and that they amount to only a fraction of a cent per pound on meats. A fair interpretation of packers' profits proves conclusively that they are an infinitesimal factor in prices, and that the common impression that high meat prices are due to packers' profits is utterly without foundation. It would seem that one of the vital and fundamental questions an investiga-

tion of the packing industry ought to reveal would be:—What are the effects of packers' profits on prices?

Although the report states that the 1917 profit of the five large packers amounted to 21.6 per cent of their net worth, the Commission failed to explain that it was very fortunate, not only for the packers but for the country, that their earnings offered some assistance in financing the larger operations and heavy high-priced stocks of goods, caused largely by the war. Swift & Company's inventories of goods in process and on the way to market averaged about fifty million dollars before the war; to-day they amount to about one hundred and fifty million dollars.

We do not consider that our book profits of the past few months have been permanently earned because they have been tied up so largely in these inventories which are bound to decrease in value at some time. Only reasonable dividends have been paid and even with the remainder of our profit reinvested in our business, we have had to issue additional stock to raise more funds to finance operations. The difficulties of war-time financing of a business that has to be run largely on borrowed money, might well have been explained by the Commission in its report.

Profits have been only large enough to maintain efficiency, and any drastic reduction of the profit now allowed by the Food Administration would undoubtedly result in making it impossible for some of the less efficient packers to continue in business.

RECOMMENDATIONS OF THE COMMISSION.

Live-Stock Cars.—The first recommendation of the Commission is that the Government acquire, through the Railroad Administration, all live-stock cars owned by the packers. It intimates that the ownership of stock cars gives the packers a certain power of control and a manipulation of the means

of transportation. During 1917 less than one per cent. of the receipts of live stock in Chicago arrived in stock cars owned by the five large packers. It is true that Swift & Company owns stock cars which are used in hauling animals from the Middle West to plants on the Atlantic coast through territories where the railroads do not operate stock trains as regularly as in the West. These cars are now under the supervision of the Railroad Administration and Swift & Company is perfectly willing to relinquish its ownership if the Railroad Administration believes that service can thereby be improved. They form an extremely insignificant factor in the operations of Swift & Company.

Stock Yards.—The second recommendation is that the Government acquire the principal stockyards of the country through the Railroad Administration. As already explained on page 13, Swift & Company has become interested in stockyards for the purpose of improving marketing facilities. Ownership of yards gives no control over the prices of live stock or the methods of trading. Although all stockyards have recently been brought under the control of the United States Department of Agriculture, here again Swift & Company would be willing to part with its ownership if a continuance of the present standard of efficient operation can be guaranteed.

Refrigerator Cars.—The third recommendation is that the Government acquire all privately owned refrigerator cars through the Railroad Administration. The reasons why Swift & Company owns refrigerator cars were explained on page 14. It is also pointed out in that place that our cars are under the supervision of the Railroad Administration and that we would be perfectly willing to relinquish ownership if it can be shown that service during war times can thereby be improved.

Branch Houses and Storage Plants.—We believe that the fourth suggestion of the Commission that the Government acquire branch houses and cold storage plants belonging to

the packers is an impracticable one, in that it would destroy individual initiative, result in poorer handling of meats, and prove more costly. Branch houses are an essential part of a system of which large centralized packing plants are the basis. The operation of a branch house requires skill and initiative on the part of an experienced manager, and the efficiency of the organization would suffer if they were made into public markets with the manager responsible only to the Government.

In one sense the branch-house system gives the large packer an advantage over the small packer who cannot afford such an organization, but to attack the packers on this score is to attack mere bigness,—bigness that has made possible the development of this efficient form of marketing which has been of inestimable value to the public at large.

CONCLUSION.

It has been shown that the Federal Trade Commission, in spite of clever use of the complete and intimate data to which it had access, has not been able to prove that the large packers are in a conspiracy to restrain trade and to manipulate prices. Not only has the Commission failed to establish a case against the packers, but Swift & Company proclaims to the world that it is in active and honest competition with all other packers.

The packing industry consists of a great number of competing units,—some large and some small. A few are big enough to achieve the economies and render the broad and efficient service resulting from nation-wide organization. Scores of smaller packers offer effective competition in their more localized, yet prosperous, efforts.

Competition; bigness; an open field for small producers;—what other industry approaches more nearly the American ideal of business organization?

APPENDIX.

NEW YORK TIMES,
New York, N. Y.
Aug. 10, 1918.

However the matter is looked at, there is a scandal in the charges against the meat packers by the Federal Trade Commission. If the charges are true, no honest man would object to punishment to fit the crime, when proved. If the charges are false, the scandal is in the publication of such an attack on one of the greatest agencies for winning the war, and appropriate punishment for the Trade Commission's bearing false witness would be in order. Caution is necessary in taking the charges as facts, for on the same day that the charges are made, disproof is published regarding another scandal which was taken as truth too easily. * * *

* * * * *

The Trade Commission's report is not necessarily malicious, even if untrue. It bears current date, but really is a survival of the time when each city slaughtered for itself. There are New Yorkers who remember when there were slaughter houses on almost any block, and when it was a custom of school children to cluster around them to see the sights, while the blood filled the gutters. The Commission's report relates to that juvenile stage of the industry, which it would like to restore, for the benefit of the neighborhood butchers who have suffered for the superior efficiency of central supply. * * *

BOSTON TRANSCRIPT.
Boston, Mass.
Aug. 9, 1918.

The probe of the packing industry of the country by the Federal Trade Commission has resulted in a report to the President which consists of sensational charges and revolutionary recommendations.

* * * * *

* * * Now is not the time to discuss, much less initiate economic revolution predicated upon conditions that certain doctrinaires believe will confront us when the war has been won. It may be that the new world in which we shall then enter will require all the Government acquisitions which the commission now urges upon the President to make, but there are those and their number is by no means small, who prefer before taking the leap to supplement with expert opinion the quack judgments of the political "har-me-downs" who at present constitute the controlling force in the Federal Trade Commission.

SAN FRANCISCO CHRONICLE.

San Francisco, Cal.

Aug. 10, 1918.

* * * * *

All these charges involve questions of fact to be proved or disproved before a tribunal which hears evidence on both sides. * * *

On the other hand, the Trade Commission is an accusing body which has sometimes shown animus, whose result is that the public cannot assume guilt in all who fall under its condemnation. * * *

BALTIMORE NEWS.

Baltimore, Md.

Aug. 9, 1918.

* * * * *

It is not necessary to be a sympathizer with Swift & Co., Armour & Co., et al., to find in the Federal Trade Commission's report on their business some remarkable statements and recommendations. * * *

These practices, if actually indulged in and if the terms by which they are described have the accepted meaning, are covered by the anti-trust statutes * * * The Commission uses language that the courts have been unable to substantiate. Is that an advisable, even if it were a warrantable, thing to do at a time when the Government should be trying to keep public sentiment on an even keel?

* * * * *

NEWARK NEWS.

Newark, N. J.

Aug. 9, 1918.

* * * And the last move—the recommendation of the Federal Trade Commission that the government monopolize all departments of the industry except the actual packing—looks like a gesture of despair.

* * * * *

This is war time, and the first need is to guarantee that the meat products handled by the five great major groups of packers be kept moving steadily to supply the nation's fighters and civilians and the nation's allies. It is not contended that there has been any lack of efficiency in the performance of this huge task, which has been carried on by the packers—recently under governmental direction. * * *

ST. LOUIS TIMES.

St. Louis, Mo.

Aug. 9, 1918.

* * * * *

The packing house matter, however, appears to be entirely different. There doesn't seem to be any question of military necessity involved. Whenever military necessity has existed has been met by the packers with success amounting to a triumph. It would have been quite impossible for Secretary Baker to move a million men to France and feed them, to say nothing of tens of millions of English and French, without the well nigh perfect system developed through many years by American packers.

* * * * *

NEW YORK TRIBUNE.

New York, N. Y.

Aug. 10, 1918.

* * * Yet this letter is not forwarded to the Department of Justice for action or sent to Congress with any recommendations. Is it that the President believes that these sensational charges are untrue and unsubstantiated? Are the packers to be indicted before the public upon groundless accusations? Are we to have a repetition of the aircraft "scandal" and the Hog Island "scandal"?

The public has no way of judging as to the truth of these matters. It seems as if it might expect from the government its careful judgment upon the charges, instead of having them flung about to inflame all the discontented and trouble making elements of the country.

* * * * *

ROCKY MOUNTAIN NEWS.

Denver, Colo.

Aug. 9, 1918.

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* * * Mr. Heney was employed by the Commission to conduct "investigation" of the packing industry brought by the Commission, and has not escaped public memory the manner in which he staged the hearings following in the main the scenario of a moving picture production—breaking into safes, rushing into court at all hours, seizing papers and other spectacular stunts, with Mr. Heney always catching the spotlight.

When the preliminary report was published regarding the profits of packing companies it was evident that the chief aim was to make political

capital out of the whole proceedings. Figures under the adroit handling
 a Heney can be made to tell anything.

* * * * *

This report is a political document to be used in the autumn cam-
 paign * * *

Seriously, is it not time to call a halt? Are we not hastening our course
 toward Bolshevism that laid Russia low and made it an easy prey to the
 enemy? * * *

CHICAGO EVENING POST.

Chicago, Ill.

Aug. 13, 1918.

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* * * Political and economic adventuring is dangerous enough in days
 of peace; it is lunacy at an hour of high crisis in the country's history.

* * * Francis J. Heney furnished the material upon which this re-
 port is based after a prolonged fishing expedition, improperly dignified as an
 investigation. Mr. Heney paraded his catch in the columns of the press,
 using the magnifying glass of his imagination to make minnows look like
 whales and sardines like sharks. * * *

Even were we to accept the construction placed upon facts and alleged
 facts by Mr. Heney, we would still find ourselves unable to agree with the
 conclusion reached by the Commission. * * *

* * * * *

On the other hand, it may be shown beyond question that the business
 of feeding our army and navy has been marvelously facilitated by the effi-
 cient methods of the packing industries. * * *

GRAND FORKS HERALD.

Grand Forks, N. D.

Aug. 9, 1918.

* * * * *

It is unfortunate, however, that the reports of the Commission on some
 of these matters have not always been such as to inspire confidence or com-
 mand respect. Some of its pronouncements in connection with the meat in-
 dustry have been such as to cause distrust, because they have been rather
 of the nature of appeals to the emotions than sober statements of material
 facts which would aid to an intelligent understanding of the situation.
 * *

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